

Debt Management Help

Debt has a way of creeping up on us if we let it. It's important to keep our debt at reasonable and manageable levels, or we could end up incurring insane interest charges and scraping to make our payments. Even for those who manage debt well, unexpected life changes can result in difficulty making ends meet.

When we find ourselves having problems with debt, the first course of action is to take a look at the budget. Finding ways to cut back on unnecessary expenses can help us pay down debts and keep monthly bills current. But what happens when we can't solve our debt problems with budgeting?

Sometimes we need outside help. It's hard to go to someone else when you're having money troubles, but if you don't gain control over your debts, your credit rating will suffer. So, it's important to take charge before it's too late.

Some debtors turn to debt consolidation as an answer to debt problems. They transfer high-interest debts to a lower interest credit card, or they put up the equity in their homes to get the money to pay them off. While these options can provide lower payments, they are not without drawbacks. Closing numerous accounts and putting all your debt into one account can negatively affect your ratio of debt to available credit, lowering your credit score. And if you use your home equity to secure the money needed to pay off debt, you're putting your home at an unnecessary risk.

Another popular option for those with debt problems is credit counseling. Credit counseling agencies offer help with budgeting, and in some cases, they will set you up with a debt management plan. A debt management plan involves negotiation with creditors to obtain lower interest rates and lower payments. The debtor makes one monthly payment to the credit counseling agency, and the agent forwards payments to each creditor.

A debt management plan can help you get out of debt faster, but it can also impact your credit. A note is added to your credit report stating that you are undergoing credit counseling. This means that you can't get new credit. However, the notation is removed once you've paid off your debts.

It's also important to make sure you're dealing with a reputable credit counseling agency. Some charge high fees or fail to make payments to creditors on time. There have also been some that were found to be outright scams, keeping the money that debtors sent them to pay their bills with. When considering credit counseling agencies, make sure they're members of the Association of Independent Consumer Credit Counseling Agencies (AICCCA) or the National Foundation of Credit Counseling (NFCC). These organizations regulate and monitor member agencies, making sure that they operate legally and ethically.

An overabundance of debt can wreak havoc on our finances and our credit scores. It can also be the cause of undue stress. By seeking help at the first sign of trouble, we can often prevent our debts from spiraling out of control.